



SUPPLEMENTARY AGENDA AUDIT PANEL

Date: THURSDAY, 19 SEPTEMBER 2019 at 7.00 pm

**Committee Room 4
Civic Suite
Lewisham Town Hall
London SE6 4RU**

**Enquiries to: Sarah Assibey
Telephone: 0208 314 8975(direct line)**

COUNCILLORS

Councillor Jim Mallory
Councillor Paul Maslin
Councillor Joan Millbank
Councillor Stephen Penfold
Councillor James Rathbone
Councillor Susan Wise

Independent Members

Carole Murray
Ian Pleace
Stephen Warren

Members are summoned to attend this meeting

**Janet Senior
Acting Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 11 September 2019**



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

ORDER OF BUSINESS – PART 1 AGENDA

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Agenda Item 6

Committee	Audit Panel	Item No.	
Report Title	Annual Assurance Report for 2018-19		
Contributors	Head of Corporate Resources		
Class	Information	Date	19 Sept. 2019

1. Purpose

- 1.1. The purpose of this report is to present members of the Audit Panel with the annual opinion on the effectiveness of the Council's system of internal control from the Interim Chief Finance Officer, in his capacity as the Head of Internal Audit (HIA).

2. Recommendation

- 2.1. Members are asked to note the annual assurance report for 2018/19.

3. Executive summary

Background

- 3.1. The Council's Head of Internal Audit is required to present an annual assurance report to the Audit Panel. This report feeds into the Annual Governance Statement (AGS).

3.2. Introduction

- 3.3. The statutory Public Statutory Internal Audit Standards (PSIAS) define the required contents of this annual assurance report.

Opinion

- 3.4. The opinion of the Head of Corporate Resources on the overall adequacy and effectiveness of the Council's risk management systems and internal control environment during 2018-19 is **Satisfactory**. The Schools opinion also remains as Satisfactory.

Qualifications to the opinion

- 3.5. The qualifications to the opinion are:
 - Internal audit resources - vacancies experienced by both the contractor and in-house team impacted the delivery of the audit plan which was reduced in year from the original plan;
 - Through part of the year, the Head of Internal Audit also had wider finance management responsibilities raising the risk of possible conflicts of interest for which compensating governance arrangements were adopted; and
 - Following the move to the new finance processes and system early in the year some control weaknesses were identified with the accounts payable and receivable areas, the audit opinions for which were Limited.

Summary of work assurance work completed which the opinion is derived

- 3.6. The internal audit plan for 2018-19 initially had 82 pieces of audit work (55 Corporate and 27 Schools reviews), not including follow-up reviews. By the end of the year, the corporate plan had reduced to 66 pieces of work (39 Corporate & 27 Schools). These changes were reported to the Audit Panel during the course of the year.

Issues relating to the Annual Governance Statement

- 3.7. From the recommendations made in 2018/19, the common or more significant areas noted for improvement were: Compliance, Procedures, Governance and Security arrangements. In addition; for the AGS the risks in respect of Budget Monitoring, Contract Management, and Financial Control remain areas of focus for improvement.

Statement of compliance with the PSIAS

- 3.8. The annual self-assessment of the compliance to the PSIAS, confirms that the service continues to meet the standards. However, from November 2017 to May 2018 and again from November 2018 to date, the Head of Internal Audit has acted as the Council's s151 officer. Compensating controls are in place, but this remains an action to be resolved through the reinstatement of a separate Head of Internal Audit role.

Quality Improvement Plan (QIP) for Internal Audit

- 3.9. The team will continue to build testing programmes on the audit management software.

Anti-Fraud and Corruption Team (AFACT)

- 3.10. The AFACT team work in 2018/19 focused on the risks of housing and contract fraud as well as supporting recruitment checks. The team has also concluded a number employee related investigations.

Risk Management

- 3.11. The risk management strategy (adopted by the Audit Panel in 2017/18) remains current. The reporting of risk is aligned from service plans, through Directorate risk registers, to the Corporate risk register. These are reviewed quarterly by the Executive Management Team and Internal Control Board. Their reporting to members is under review as part of a whole revamp of performance reporting aligned to the new corporate strategy. Risks registers are also reviewed by internal audit to inform their plans.

Other sources of assurance

- 3.12. During 2018/19, a number of other pieces of work are undertaken from which internal audit can take assurance. For example these included; Ofsted children social care focused visit, CQC enablement service inspection, legal services accreditation to professional standards, APSE review of commercial practice, and other management checks such as H&S assurance work.

Role of the Head of Internal Audit

- 3.13. The annual review of the Head of Internal Audit concluded that all of the above principles were met.

4. Background

- 4.1. This report details the Head of Internal Audit's annual assurance opinion on the adequacy and effectiveness of the London Borough of Lewisham's internal control arrangements for the year from April 2018 to March 2019. This opinion and report contributes to the Council's Annual Government Statement (AGS).
- 4.2. The internal audit function is a statutory service. The Accounts and Audit (England) Regulations 2015 states, "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- 4.3. The Council's Head of Internal Audit is the Interim Chief Finance Officer. He also has operational responsibility for the in-house Anti-Fraud and Corruption Team (A-FACT), Insurance and Risk Management, Corporate Health & Safety, Commercial and Procurement Support, Strategic Finance, Pension Fund, and Treasury Management.
- 4.4. He is also taken over some other management functions during the year. From November 2017 to May 2018 he was the section 151 officer and managing the Regeneration service. From November 2018 to date he is acting as the Chief Finance Officer (s151) and Executive Director for the new Corporate Services Directorate which also includes line management of the Financial Services, Public Services and IT & Digital Directors.
- 4.5. This was flagged to the external auditors and Audit Panel in advance and compensating controls put in place to ensure the Internal Audit Manager led on audits in any of these areas and has direct access to the Chief Executive and Chair of the Audit Panel.

5. Introduction

- 5.1. The PSIAS states that the Head of Internal Audit must deliver an Annual Assurance report that can feed into the Council's AGS as part of the financial statements. The annual report must provide an opinion on the overall adequacy and effectiveness of risk management and control. In addition, the report must also include:
 - a summary of the work that supports the opinion;
 - the timeframe to which the opinion relates to;
 - statement on conformance with the PSIAS;
 - any scope limitations;
 - disclosure and details of any qualification/s;
 - consideration of related projects and other assurances providers;
 - the risk / control framework used for the basis of the opinion; and
 - any other issues that they are relevant to the governance statement.

6. Opinion

- 6.1. The Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's risk management systems and internal control environment, including any qualifications to that opinion, is as follows:

- 6.2. *“I have considered all of the work undertaken and reported on by the Internal Audit Service, Anti-Fraud and Corruption Team and other sources of assurance available to the Council for the audit year 2018/19. I have also sought the views of the Internal Audit Manager given the potential conflicts from my wider management responsibilities during the year.*
- 6.3. *In my opinion, ‘Satisfactory’ assurance can be placed on the adequacy and effectiveness of Council’s corporate internal controls framework in place. In addition, ‘Satisfactory’ assurance can be placed on the Schools internal controls framework.*
- 6.4. *However, the assurance opinion this year for corporate internal controls, while Satisfactory, was closer to Limited than in 2017/18. This negative direction of travel arises from the weaker assurance levels for the core financial audits in respect of accounts payable and receivable functions following the process and system changes with the implementation of Oracle Cloud and to the related line of business systems (e.g. Controcc). This opinion is expressed using the same scale used for internal audit report opinions. The scale ranges from Substantial to Satisfactory, through to Limited and No Assurance. Definitions are provided at Appendix 3.*
- 6.5. *I was part of the Annual Governance Statement (AGS) working party through 2018/19. The working party comprises a group of senior officers, including the Head of Law, responsible for preparing and reviewing the Council’s AGS.*
- 6.6. *The AGS has been updated and actions reported to the Internal Control Board through the year. I am satisfied that the content of the statement is accurate and its completion has complied with the relevant CIPFA guidance. Issues that I judged relevant, such as the effectiveness of internal control, have been considered by the group and included where necessary”.*

7. Qualifications to the opinion

Internal Audit

- 7.1. Several issues, reported to the Audit Panel, affected the in-house team, which had a detrimental effect on the delivery of the audit plan. They included:
- Resources – team changes and difficulty in recruiting new staff led to staff shortages and more time than planned required for training and management.
 - Implementation of audit software – a new audit management software was introduced which took longer than expected to implement, including the related staff training.
 - Leadership – reduced management time as the Interim Chief Finance Office took on more operational responsibilities, reducing their support for the internal audit function and requiring the internal audit manager to work more independently.
- 7.2. The internal audit contractor also had issues with recruiting and retaining staff during the year, resulting in particular in the specialist IT audits being deferred to 2019/20.

- 7.3. All of this means that the coverage of the plan and timeliness of delivery were negatively impacted. A number of audits started late, were cancelled, or deferred to the 2019/20 audit plan. These were discussed with the Audit Panel with the focus kept on the key risk areas and large spending areas – the core financial audits and schools audits. One core financial was deferred – Main Accounting – as it would have been undertaken at the same time and covered similar testing as the external audit also underway. This reduction in assurance coverage necessarily reduces the confidence that can be taken from the annual audit opinion as it relates to service rather than pure financial control risks.

Audit Planning / Risk Based Auditing

- 7.4. Internal audit is required to create a risk based audit plan. Wherever possible, the audits are based on the controls noted in the directorate and corporate risk registers but these are not the only source of intelligence relied on.
- 7.5. Internal audit also review service and project plans for additional information or detail on changes, and their risks for the year ahead. This is supplemented with discussions with Directors and other senior managers of key services.
- 7.6. For this reason and that change is always happening, the internal audit plan is regarded as a dynamic plan. Additions, variations, or deletions to the plan are made through the year. These are reported to Audit Panel quarterly.

Year of significant change

- 7.7. The Council year 2018/19 was one of significant change in respect of a number of senior managers (at Chief Executive and Director level) and for finance in particular with the move to a new finance system. All change brings risk.
- 7.8. This may have impacted the engagement and focus on completion of internal audit actions as new managers were focused on their operational priorities. In respect of finance, the process and system changes resulted in a number of control improvements to complete the implementation in the area of accounts payable and receivable.

8. Summary of assurance work from which opinion is derived

Delivery of the Audit Plan - Corporate

- 8.1. The corporate audit plan for 2018/19 initially had 55 pieces of work at the beginning of the year. This reduced to 39.
- 8.2. The changes to the plan during the year were as follows:

Audits no longer required

- Robotics - HB system – not going ahead at this stage
- Multi Agency Safeguarding Hub (MASH) – Adults – Nothing to audit at this stage
- Office 365 and SharePoint – project not at a point to be audited.
- Adult Care System (ACS) interface with Financial System – not implemented yet. Unsure when it will be.

Other changes

- OracleCloud – Payroll – Merged with OracleCloud HR Audit to have one audit.

Deferred to 19/20

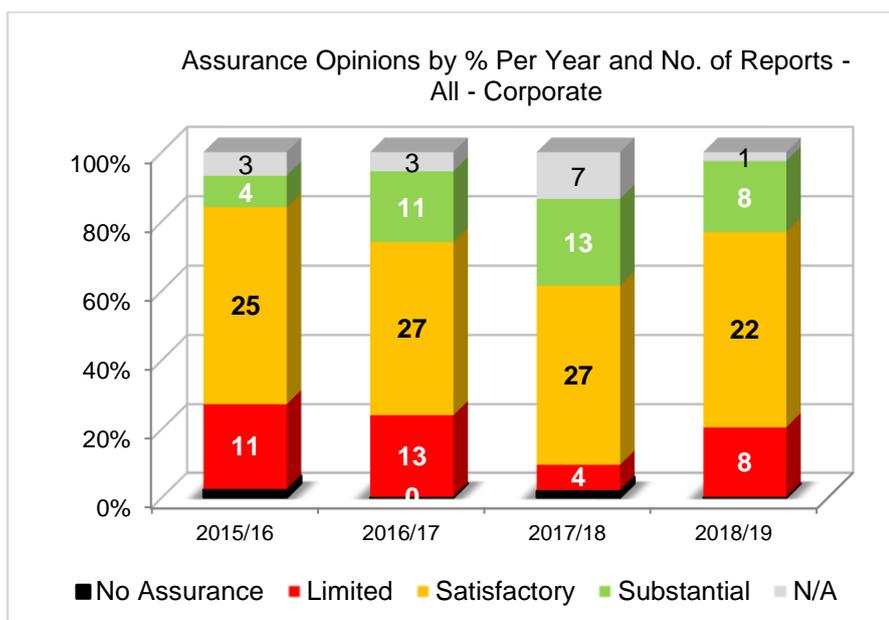
- Bereavement Services
- Handover from Hospital Discharge Neighbourhood
- Early Help Service
- Planning Control
- Contract Management
- School Finance
- Tendering / Procuring contracts and supplier
- Rogue Landlords

Cancelled from the 18/19 plan as not completed in time.

- Self Service IT processes
- New Phone System and BCP
- Main Accounting (Core Financial)

8.3. All corporate report opinions

The graph below (no.1), represents the percentage of audit assurance opinions (with the number of reports issued), for all corporate audits issued. The definitions of assurance opinions are Substantial, Satisfactory, Limited, and No Assurance – can be found at Appendix 4. N/A is for non-assurance work such as grant returns or consultancy reviews.



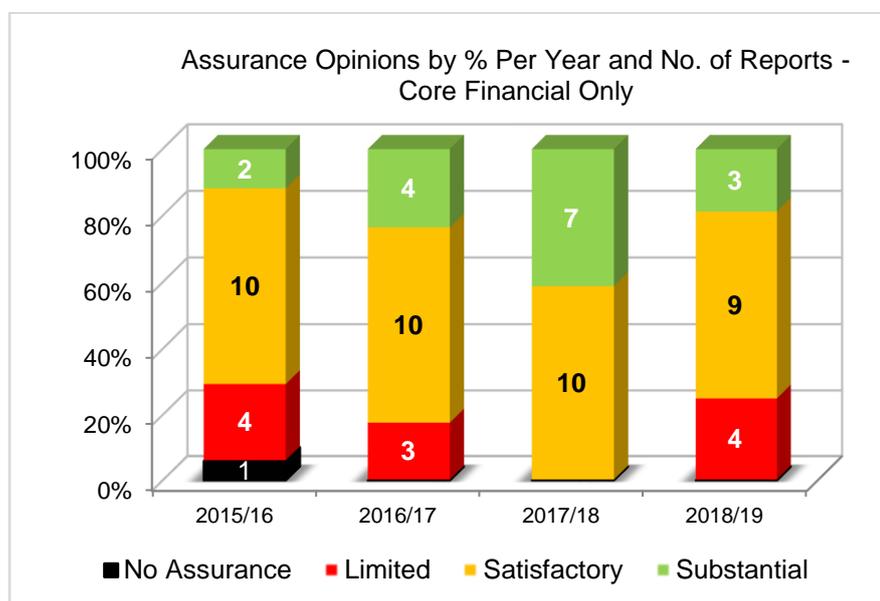
Graph 1

- 8.4. Graph 1 includes audits at final and draft report stage. It is not expected that on completion of the draft reports that there will be any significant changes to the assurance opinion.

- 8.5. The results of the corporate internal audit work for 2018/19 has seen the number of negative (Limited and No Assurance) assurance reports increase from five in 17/18, to eight in 18/19.

Core financial reports – opinions

- 8.6. Core financial audits are those of the key financial processes and systems within the Council. These are currently audited on an annual basis.
- 8.7. One of the main core audits, Main Accounting (journals) was not completed in time and there was not sufficient work to provide an opinion for 18/19. However any significant findings will be brought forward to the 19/20 audit.
- 8.8. The graph below (No.2), shows, at the time of writing, there were four negative audit opinions for core financial in 2018/19. Unfortunately the trend of negative opinions for core financial has changed this year, and is back at 2015/16 levels.



Graph 2

Core financial audits – Direction of Travel

- 8.9. The table below shows a comparison of the assurance opinions for the last three years for the core financial audits based on the opinions know at the time of writing.
- 8.10. Currently there are five audits that had a lower opinion than last year, of which four are now limited. Four core audits remain at the same (positive) opinion. There are still seven where the opinion is still unknown.

Key

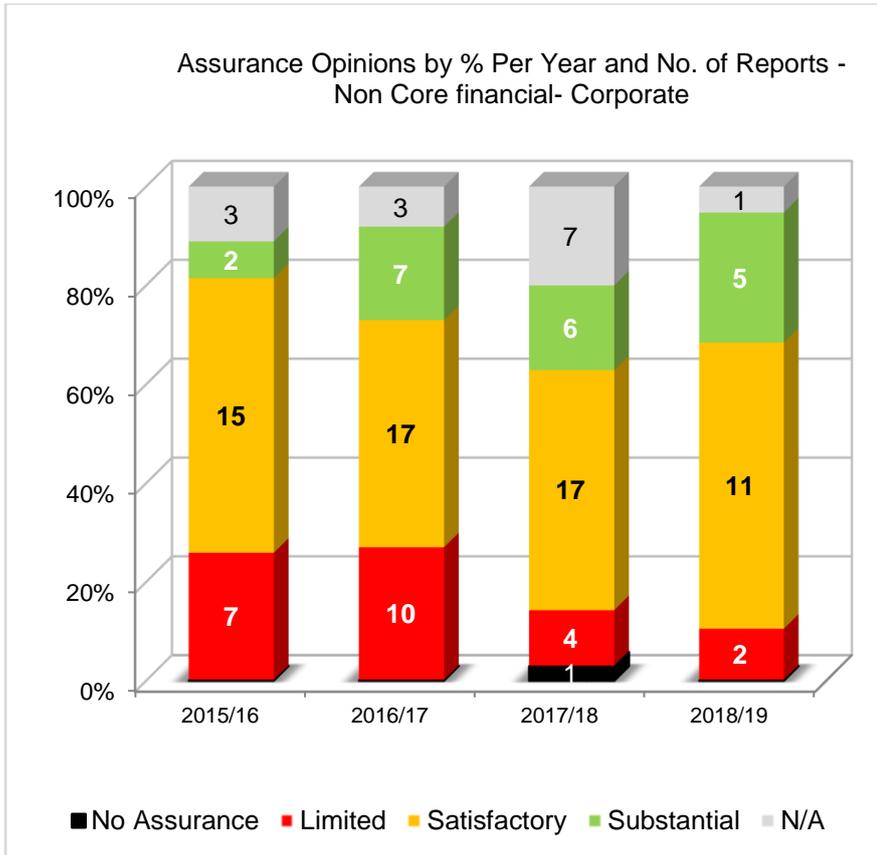
SUB	Substantial	SAT	Satisfactory	LTD	Limited	NAS	No Assurance
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↗	Improved since last year	↔	Same as last year	↘	Deteriorated since last year
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Core financial system	16/17	17/18	18/19	DoT
1. Client contributions for residential & domiciliary care	SAT	SUB	LTD	↘
2. Accounts payable (Draft)	LTD	SAT	LTD	↘
3. Payment for Child Care Providers	SAT	SAT	LTD	↘
4. Accounts receivable (Draft)	LTD	SAT	LTD	↘
5. Payroll	SUB	SUB	SAT	↘
6. Non-current (fixed) assets	SAT	SUB	SAT	↘
7. Capital programme and expenditure	SAT	SAT	SAT	↔
8. Pensions	SAT	SAT	SAT	↔
9. Direct payments	SAT	SAT	SAT	↔
10. Banking	LTD	SAT	SAT	↔
11. Payments to Adult care providers	SAT	SAT	SAT	↔
12. Treasury management	SUB	SUB	SUB	↔
13. Housing benefit and CTRS	SAT	SUB	SUB	↔
14. Council tax	SAT	SUB	SAT	↘
15. Business rates (NNDR)	SUB	SUB	SUB	↔
16. Budget setting and monitoring	SUB	SAT	SAT	↔
17. Main accounting	SAT	SAT	n/a	n/a

8.11. Non-Core - corporate reports

The graph below (no.3) shows, based on those audits where the opinion is known, (actual or indicative), the number of limited assurance opinions is the same as last year. There is a slight increase in percentage too.

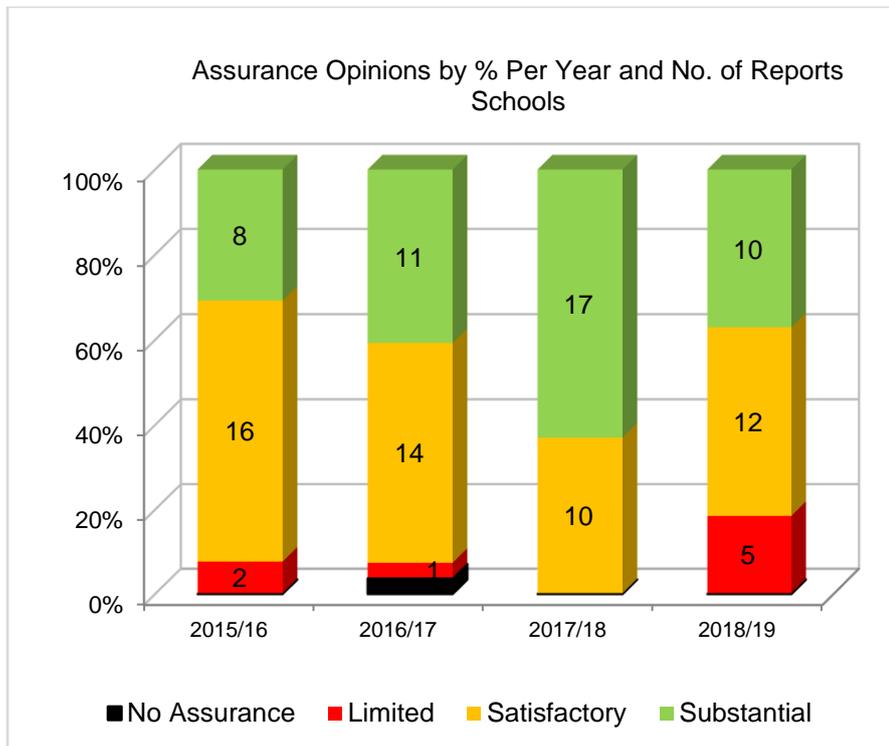


Graph 3

8.12. Delivery of the Schools Audit Plan

There were 27 schools in the original school plan. The graph below (no.4) shows the school assurance opinions for the last four years by percentage (and number of reports). The schools are audited in a three year cycle.

8.13. This is the first year where the in-house team performed all the school audits. Compared to 2015/16, there is an increase in Limited opinion reports issued. However, as only one team conducted this year, (rather than the previous contractor, in-house team, and Greenwich audit team), the results are more consistent, so this could explain this the slight increase.



Graph 4

8.14. The results of schools audits are reported to the Audit Panel throughout the year. The annual School Forum report, which details the school audits throughout the year, is presented to the School Forum, and then to the Audit Panel.

Corporate Recommendations and Management Actions

8.15. When internal audit make recommendations to management, they are categorised as 'High', 'Medium' or 'Low'. Definitions are provided at Appendix 4.

8.16. Officers agree management actions to enable them to implement these recommendations. Officers are responsible for updating the progress of High and Medium actions via an internal SharePoint site.

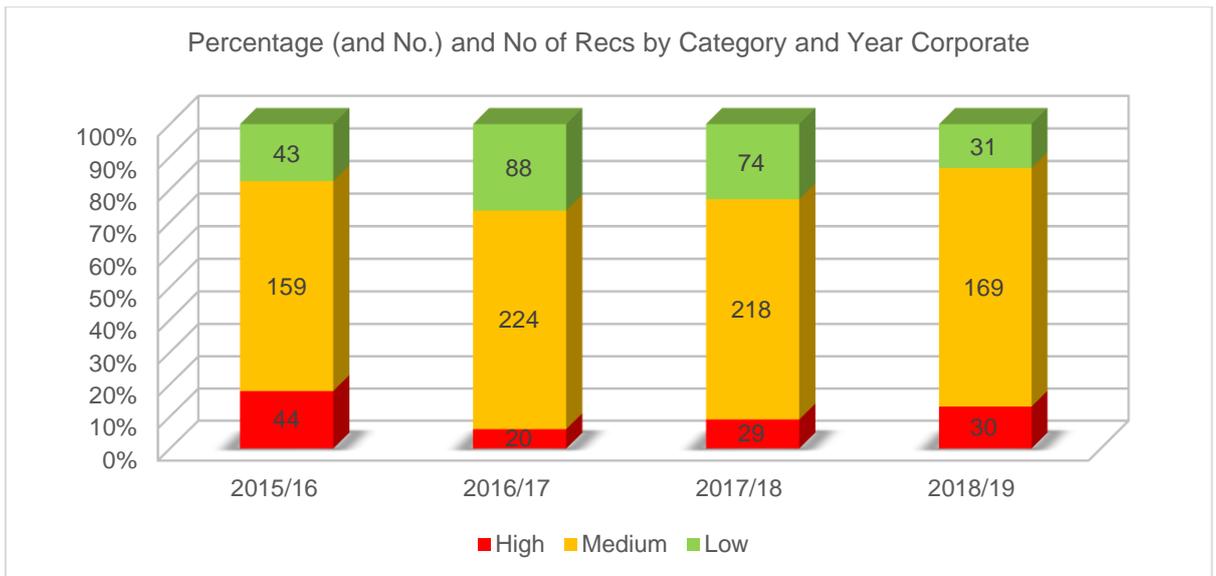
8.17. Audit panel and the Internal Control Board (ICB) received internal audit reports quarterly. They include:

- No. of actions overdue;
- No. of actions reopened at a follow-up review; and
- An aged analysis report detailing the time an action is taking to implement.

8.18. Graph 5 below presents the percentage (and number) of recommendations made by High, Medium, and Low, for the last four years.

8.19. For 18/19, only 24 of 39 reviews are included in the graph as not all audits are finalised. It only shows recommendations from finalised report and those drafts and reviewed audits conducted by the in-house team. Those contractor audits that are at draft or at review stage are not included.

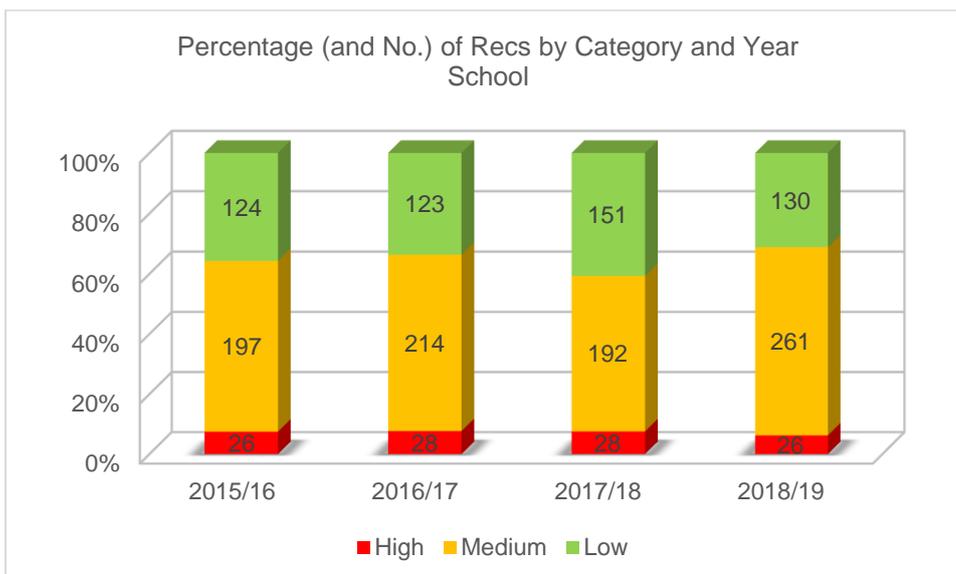
8.20. It shows that even at this stage, percentage wise, the High recommendations made are the same as last year.



Graph 5

Schools

- 8.21. Schools are unable to use the internal SharePoint site for reporting on completion of their actions and have to provide updates manually to the Children and Young People (CYP) directorate. Due to lack of resource in CYP and the delay in rolling out office365, it has not been possible to update the audit panel with the progress of school actions.
- 8.22. The graph below (no.6), details the number and percentage of recommendations made throughout the year. It shows the percentage of High recommendations remain the same as last year. There was a slight increase in medium recommendations made, while the number of low recommendations made decreased.



Graph 6

Follow-up reviews

- 8.23. Internal audit conducts a formal follow-up on corporate audits with a negative assurance opinion, or a consultancy reviews.

- 8.24. Schools have a follow up review when there is a negative opinion report issued. Normally after six months. Only the High and Medium recommendations made are followed up in all reviews.

Corporate follow-up reviews

- 8.25. There were 11 corporate reports followed up. Internal Audit reports the outcome of these reviews to the Audit Panel and the Internal Control Board (ICB) every quarter. A list of follow-up reviews conducted can be found in Appendix 2
- 8.26. Of the corporate reviews conducted, internal audit found that out of the 92 recommendations reviewed,
- 30 (42%) recommendations were implemented
 - 44 (44%) were in progress,
 - 7 (10%) were not implemented, and
 - 3 (4%) were no longer applicable

School follow-up reviews

- 8.27. There were no follow for schools during 2018/19.

Anti-Fraud and Corruption Team (AFACT)

- 8.28. AFACT is responsible for conducting and managing fraud investigations internally and of those using Council services. This work is conducted with support from the Council's Human Resources and Legal Services teams. This work arises from the need for the Council to ensure confidence in the administration of public funds.
- 8.29. This recognises that the undermining of public confidence that can result from the discovery of a fraudulent or corrupt act can inflict much greater and more widespread damage than just the act itself.
- 8.30. The number and nature of investigations concluded in the year and actions taken are reported to the ICB and Audit Panel annually.

Risk Management

- 8.31. Corporate Resources is responsible for ensuring the Council has an effective risk management strategy and policy in place. These were updated in 2017/18 and approved by the Audit Panel. In addition, Directorate Management Teams (DMT) and the Executive Management Team (EMT) meet regularly to discuss risk, review the finances and monitor performance. Thereby enabling urgent matters to be escalated for action promptly outside the formal risk reporting cycle.
- 8.32. In addition to the risk registers for management purposes, the Mayor and Cabinet and Members are appraised on risk management via the quarterly management report. This is being reviewed as part of new performance reports to support the Council's priorities and Corporate Strategy. How risks are reported needs to be covered in these changes.

Other sources of assurance

- 8.33. Evidence for the effective mitigation of risk and focus on improving internal control comes from other sources than the work of internal audit. These are taken into consideration for preparing the annual assurance opinion and planning the work of internal audit for future years. For example:
- 8.34. Internally service planning, performance reporting and financial monitoring are tools available to management.
- 8.35. In addition the level (number and seriousness) of H&S incidents reported and insurance claims made are monitored through the year. The Council also recognises that support to employees (communication, training, monitoring and challenge) around key corporate policies and processes is key to effective control and the efficient running of the organisation.
- 8.36. Externally inspections and accreditation reviews and statutory transparency reporting requirements are helpful measures to assess the effectiveness of service practice and performance. For example the annual legal services accreditation, Ofsted inspection of children with complex needs, or CQC inspection of Adult Social Care services.

9. Issues relevant to the Annual Governance Statement (AGS)

- 9.1. From a review of the internal audit recommendations made in 2018/19 some common areas for improvement around internal controls were noted. This does not mean they are wrong all of the time everywhere. However, these points were noted through more than one audit or source of assurance during the year.

- 9.2. They include, with examples:

Compliance/ Legal – late completion of notifications, contracts not signed, required information not published / available.

Procedures – operational arrangements not documented, not up to date with current practice, or not being followed with use of ‘workarounds’.

Governance – strategies are not formalised, minutes of discussions / decisions are not recorded, and performance reports are not complete. Through their value for money work in 2017/18, external audit also raised this as an area for improvement in respect of the management of strategic change programme work which the Council continues to strengthen.

Information Security – sufficient communication and training, arrangements for storing data are not adequate or effectively managed (e.g. archiving, retention, encryption etc..)

- 9.3. In addition, through the work to prepared the AGS the following areas were also noted as requiring continued management focus to support improvement:

Budget Monitoring

- 9.4. Public sector austerity continues to impact all areas of the Council’s work as services seek to do more for less for the ninth year in a row. Financial constraints are putting significant strain on services to adjust their spending and control arrangements to maintain good practice but in a manner proportionate to their changing priorities and available budget.

- 9.5. This was evidenced through: a number of overspending services; controls being done less frequently/missed; system and procedure arrangements not keeping pace with changing business practice; and corporate processes (e.g. HR, Finance, performance, etc..) not always complied with.

Contract Management

- 9.6. Contract management is still weak in some areas. Additional resource has been recruited in 2018/19 to help drive this challenge and more effective practices for the procurement, commissioning and monitoring of contracts.

Financial Control

- 9.7. The Council has implemented a new finance system (OracleCloud) which is not just a finance system but a full Enterprise Resource Planning (ERP), to include HR and Payroll functions although these have not been fully turned on yet. As noted above Internal Audit has reviewed the system and identified areas for further improvement.
- 9.8. In 2018/19 four core financial audits had a negative (Limited) opinion. There were in respect of the accounts payable and receivable areas – core finance system and the social care line of business system. There remains work to be completed to deliver the improvements offered by the new system and in the meantime some risks / processes continue to rely on manual workarounds which potentially impacts the accuracy of financial monitoring information.

10. Statement of compliance with Public Sector Internal Audit Standards (PSIAS)

- 10.1. A self-assessment against the standards is required annually, and an external independent review of the internal audit service at least every five years. The next independent review is due in 2020/21.
- 10.2. The self-assessment for 2018/19 is that the services remains compliant the PSIAS. However, there are two areas where that continue to be only partially met, rather than fully met. They are:
- Independence of the HIA. As they have taken on more senior management responsibilities for finance and other areas.
 - Conducting reviews where HIA has operational responsibilities. While compensating controls have been put in place these are not as robust as having a separate HIA in place.
- 10.3. While these issues are not unique, the service has recognised the risk and put in place mitigations by giving the Internal Audit Manager unfettered access to the Chief Executive and the Chair of the Audit Panel for areas managed by the Head of Corporate Resources. It has also been agreed going forward to recruit a separate Head of Internal Audit.

11. Quality improvement Plan (QIP) for Internal Audit.

- 11.1. The Internal Audit Service focus for 2019/20 is to continue to progress the strategy to strengthen the in-house team and only use contractors for specialist pieces of work.

- 11.2. The in-house team will continue to develop the audit management software. They will continue to create testing programmes for all core and regular audits.
- 11.3. Ongoing training to support the team will continue, with planning days scheduled to ensure that all the team is involved in the improvement of the service.

12. Role of the Head of Internal Audit

- 12.1. CIPFA Statement on “The role of the Head of Internal Audit in public service organisations, 2010” states that the Head of Internal Audit role in a public service organisation is based on five principles:
 - 1) Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
 - 2) Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - 3) Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
 - 4) Must lead and direct an internal audit service that is resourced to be fit for purpose; and
 - 5) Must be professionally qualified and suitably experienced
- 12.2. The annual review of the Head of Internal Audit concluded that all of the above principles were met.

13. Legal Implications

- 13.1. There are no legal implications arising directly from this report.

14. Financial Implications

- 14.1. There are no financial implications arising directly from this report.

15. Equalities Implication

- 15.1. There are no specific equalities implications arising directly from this report.

16. Crime and Disorder Implications

- 16.1. There are no specific Crime and Disorder implications arising directly from this report.

17. Environmental Implications

17.1. There are no specific environmental implications arising directly from this report.

18. Background Papers

18.1. Internal Audit and A-FACT papers to the Audit Panel throughout 2015/16.

For queries on this report, please contact the Interim Chief Finance Officer on 020 8314 9114 or by email at david.austin@lewisham.gov.uk

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2018/19

Corporate Audits

Auditable Area	Assurance Level Given	H	M	L	Date of Report	Risk Headings / Area Tested During the Review
2018/19-27 - Client Contribution for Care Provision 18-19 – (CORE)	Limited	5	8	2	12/08/2019	Financial Assessments, Issuing of Invoices, and Deferred Payment Arrangement Scheme
2018/19-04 - Apprenticeship Levy Spend including Professional Qualifications	Limited	3	8	-	27/09/2018	Strategy including Public Sector Targets, and Apprentice Recruitment and Appointment Process
2018/19-43 - Adherence to the Local Government Transparency Code	Limited	1	3	-	12/10/2018	Publication of Data, and Verification of Data
2018/19-26 - Payments to Child Care Provider and Foster Carers for Looked After Children 18-19 - (CORE)	Limited	4	-	2	19/08/2019	Assessments, Payments, Budgetary Control, Exception Reporting, and GDPR / DPA
2018/19-07 - Accounts Payable 18-19 - (CORE)	Limited	2	15	3	Draft	New Suppliers and Bank Amendments, Payments, Reconciliations, Performance Monitoring, and Information Security and Business Continuity
2018/19-15 - ASH - Debt Recovery System	Limited	1	9	2	Draft	Project Approval / Governance, Monitoring, Compliance with the Project Handbook, and Lessons Learned
2018/19-58 - OracleCloud - Financials - Post Implementation	Limited	1	6	1	Draft	Application Management and Governance, System Security, Interface Controls and Processing, Data input, Data migration, Change Controls, System Resilience and Recovery, and support arrangements

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2018/19

Auditable Area	Assurance Level Given	H	M	L	Date of Report	Risk Headings / Area Tested During the Review
2018/19-08 - Accounts Receivable and Debt Recovery 18-19 (CORE)	Limited	2	11	1	Draft	Raising Invoices, Income and Debt Recovery Write-Off's, Reconciliations, Performance Monitoring, and Information Security and Business Continuity
2018/19-14 - Capital Expenditure 18-19 - (CORE)	Satisfactory	1	3	-	13/08/2019	Project approval governance, Monitoring, Compliance with Project Management Handbook, and Lessons Learnt
2018/19-03 - Deprivation of Liberty Safeguards (DoLs)	Satisfactory	1	6	2	19/10/2018	Administration, DoLS Assessments, Reviews and Management and External Reporting
2018/19-18 - Business Continuity Plans (BCP) - Core Processes	Satisfactory	1	3	-	02/01/2019	Governance, Assessments, Training, and Administration
2018/19-23 - Payroll 18-19	Satisfactory	-	5	-	08/05/2019	Starters and Leavers, Benefits - Paternity, Maternity and Sick Pay, Payments Amendments, Honorariums and Petty Cash, Deductions to third parties, Teachers Contributions, and Reconciliations
2018/19-30 - Pensions and Investments 18-19	Satisfactory	1	3	-	14/03/2019	Pension Payments, Transfers in and out of the Pension Scheme, Contributions and Amendments, Reconciliations, Pension Fund Valuations, and Pension Fund Investments
2018/19-34 - Direct Payments 18-19	Satisfactory	-	12	1	23/04/2019	Setting up a Direct Payment, Payments, Utilisation Monitoring, reviews and budgeting, and Terminations and Recovery of Payments.
2018/19-61 - Besson Street Project	Satisfactory	1	5	-	11/06/2019	Governance Arrangements, Performance Management, and Project Financial Management

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2018/19

Auditable Area	Assurance Level Given	H	M	L	Date of Report	Risk Headings / Area Tested During the Review
2018/19-66 - Recruitment Process	Satisfactory	-	1	-	04/06/2019	Departmental Job Requests, Preparation of Candidates, Interviews, Conditional Offer Letters, and Formal Contracts
2018/19-74 - Complaints (Corporate)	Satisfactory	-	6	1	06/11/2018	Responding to Complaints and Customers, Escalation of Complaints, Training, and Management Reporting.
2018/19-79 - Fostering Arrangements	Satisfactory	-	7	-	14/03/2019	Stage 1 Process, Stage 2 Process, Panel and Final Decision Approval, and Authorisation of Ad-hoc Payments
2018/19-28 - Domestic Waste Management	Satisfactory	1	2	-	04/07/2019	Contracts and Approval, Contract Tendering, Site and Spot Checks, KPI Monitoring, and Contract Monitoring Meetings
2018/19-56 - Homecare Service	Satisfactory	1	6	1	13/08/2019	Contracts with Lead Providers, Payments, and Monitoring
2018/19-32 - Performance Management Framework for Child Social Care (CSC)	Satisfactory	-	2	1	02/07/2019	Implementation of Performance Management Framework, Target Setting, Performance Data, and Management Reporting.
2018/19-25 - Children in Need (CIN) Framework	Satisfactory	2	2	1	19/08/2019	Care Planning, Review and Monitoring, and Management Reporting
2018/19-65 - Pooled Budgets and Section 75 Payments	Satisfactory	-	4	2	19/08/2019	Governance, Budgetary Control, KPI / Targets, and Administration
2018/19-59 - OracleCloud - HR and Payroll Implementation	Satisfactory	-	3	-	Draft	Interface Controls and Processing, Go Live, Implementation Plan, Data Conversion, Acceptance Testing – Sign Off, Security, Production Environment, Documentation, Training Programme, and Risk Register
2018/19-69 - Icasework IT System	Satisfactory	-	3	1	Draft	System Security, Access Permissions, and System Resilience and Recovery

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2018/19

Auditable Area	Assurance Level Given	H	M	L	Date of Report	Risk Headings / Area Tested During the Review
2018/19-17 - Banking 18-19 (CORE)	Satisfactory	1	8	-	Draft	Transactions Management, Suspense Accounts, Cheque Printing and Security, Reconciliations, Information Security and Business Continuity, and Prepaid Cards Provider Changeover
2018/19-21 - Non-Current Assets 18-19 (CORE)	Satisfactory	1	7	-	Draft	Asset management, Disposals, Reconciliations, and implementation of oracle cloud asset register.
2018/19-77 - Payments to Adult Care Providers 18-19 (CORE)	Satisfactory	2	5	-	Draft	Set up and Review of support Plans, Payments to Providers, and Budgetary Control.
2018/19-13 - Budget Setting and Monitoring 18-19 (CORE)	Satisfactory	-	3	-	Draft	Budget setting, Budget Loading and Virements, and Budgetary Monitoring and Control
2018/19-31 - Council Tax 18-19 (CORE)	Satisfactory				Draft	Council Tax Setting, Billing and Liability, Discounts and Exemptions, Collection and Recovery Action, Refunds, Journals, and Transfers, Valuation Office Amendments, Reconciliations, Information Security and Business Continuity, performance Monitoring and Performance Monitoring.
2018/19-22 - Business Rates 18-19 (CORE)	Substantial				Draft	Business Rate Setting, Billing and Liabilities, Discounts and Relief, Collection and recovery action, Refund Journals and Transfers, VO Amendments, Reconciliations, Information security and BCP
2018/19-35 - Disability Facilities Grant (DFG)	Substantial	-	5	1	17/12/2018	Administration of the Disabled Facilities Grant, Approval process of grant applications, Grant received and Payments made, and General Data Protection Regulation
2018/19-81 - Implementation of GDPR	Substantial	-	2	-	04/06/2019	GDPR 12 Steps, GDPR Compliance of Lewisham Schools, and Access to Data Records and Retention of Records

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2018/19

Auditable Area	Assurance Level Given	H	M	L	Date of Report	Risk Headings / Area Tested During the Review
2018/19-44 - Housing Benefit and Council Tax Reduction Scheme (CTRS) 18-19	Substantial	-	1	1	14/03/2019	Applications and Assessments, Reconciliations, - Appeals, Discretionary HB, CTRS Recipients, Amendments, and HB to UC Transition
2018/19-57 - Treasury Management 18-19	Substantial	-	5	3	02/02/2019	Regulatory and Management Requirements, Cash flow forecasting , Investments, borrowing and reconciliations, and Performance Monitoring and Reporting
2018/19-63 - Corporate Health and Safety	Substantial	-	1	1	20/02/2019	Staff Training and Communication, Risk Management and Audits, and Management Reporting
2018/19-76 - Lewisham Services for Schools Website	Substantial	-	3	3	03/03/2019	Content and usability, and Administration
2018/19-78 - Special Educational Needs	Substantial	-	2	1	24/06/2019	Assessments, Annual Reviews, Performance, and Reporting
2018/19-80 - Supporting Families Programme Grant Certification 18-19	Grant Verification – No Issues.					

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2018/19

School Audits

School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
Abbey Manor College 18-19	Limited	2	11	3	Procurement, Income, Assets, Governance, Budget Monitoring, Banking, Payroll, Recruitment and Data Security.	16/11/2018
Bonus Pastor Catholic College 18-19	Limited	7	18	4	As above	10/04/2019
Conisborough College 18-19	Limited	2	13	9	As above	07/03/2019
Deptford Green Secondary 18-19	Limited	2	8	6	As above	19/10/2018
Trinity All Through School 18-19	Limited	1	19	3	As above	12/07/2019
Addey and Stanhope Secondary 18-19	Satisfactory	1	12	7	As above	02/10/2018
Athelney Primary 18-19	Satisfactory	-	14	8	As above	24/07/2019
Chelwood Nursery School 2018-19	Satisfactory	-	11	3	As above	01/12/2018
Edmund Waller Primary 18-19	Satisfactory	-	12	5	As above	17/12/2018
Forest Hill Secondary School 18-19	Satisfactory	-	9	7	As above	28/11/2018
Forster Park Primary 18-19	Satisfactory	2	11	6	As above	20/03/2019
Kender Primary School 2018-19	Satisfactory	2	10	6	As above	27/12/2018
Kilmorie Primary 18-19	Satisfactory	1	13	8	As above	14/06/2019
Launcelot Primary 18-19	Satisfactory	-	12	7	As above	19/11/2018

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2018/19

School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
Prendergast School (Secondary) 18-19	Satisfactory	2	10	2	As above	27/09/2018
Sedgehill Secondary 18-19	Satisfactory	2	9	1	As above	18/09/2018
St Mary Magdalen's Catholic Primary 18-19	Satisfactory	1	17	4	As above	13/05/2019
Adamsrill Primary 18-19	Substantial	-	3	6	As above	07/08/2018
Ashmead Primary 18-19	Substantial	1	3	2	As above	23/06/2019
Fairlawn Primary 18-19	Substantial	-	1	4	As above	08/11/2018
Holbeach Primary School 2018-19	Substantial	-	6	5	As above	15/01/2019
Prendergast Ladywell 18-19	Substantial	-	8	1	As above	21/09/2018
Prendergast Vale School 18-19	Substantial	-	5	2	As above	27/09/2018
St Margaret's Lee CE Primary 18-19	Substantial	-	8	5	As above	17/09/2018
St Michael's CE Primary School 18-19	Substantial	1	4	7	As above	12/07/2018
Sydenham Secondary 18-19	Substantial	-	8	5	As above	05/07/2019
Watergate (special) 18-19	Substantial	-	6	3	As above	16/10/2018

Appendix 2 – Follow up Review Conducted in 2018/19

Audit Followed –Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Implem-ented	In Progress	Not Implem-ented	No longer applicable	Total
Project management	Limited	26/01/2017	24/07/2018	4	2	0	n/a	6
Data Breach management	Limited	18/05/2017	24/07/2018	0	3	2	n/a	5
BC management - Adult Care Providers	Limited	20/06/2017	26/07/2018	0	3	0	n/a	3
Youth offending	Limited	06/02/2018	31/10/2018	7	1	0	1	9
Initial Contact, Information and Advice	Limited	13/12/2018	20/05/2018	0	3	2	n/a	5
GDPR Readiness Assessment	Limited	19/04/2018	25/02/2019	7	2	0	1	10
Health Visiting Monitoring	Limited	29/05/2018	07/01/2019	3	6	0	0	9
Monitoring of Childcare Provider	Limited	17/10/2017	14/02/2019	1	6	0	0	7
Catford Regeneration Partnership Ltd	Limited	17/05/2018	23/11/2018	2	2	0	1	5
Performance Management and Service Planning	Limited	21/07/2017	30/10/2018	6	1	1	0	8
Oracle Cloud Financials – Migration	No Assurance	02/07/2018	14/06/2019	0	2	2	0	4
Total number				30	31	7	3	71
Percentage				42%	44%	10%	4%	

Appendix 3 – Assurance Opinions Definitions

Assurance Opinion Definitions

Level	Definition
Substantial Assurance ★	A strong framework of controls is in place to ensure that the service area is more likely to meet their objectives. In addition, the controls in place are continuously applied or with only minor lapses.
Satisfactory Assurance ●	A sufficient framework of controls is in place, but could be stronger to improve the likelihood of the service area achieving its objectives. In addition, the controls in place are regularly applied, but with some lapses.
Limited Assurance ▲	There are limited or no key controls in place. This increases the likelihood of the service area not achieving its objectives. Where key do controls exist, they are not regularly applied.
No Assurance ■	There is no framework of key controls in place. This substantially increases the likelihood that the service area will not achieve its objectives. Where key controls do exist, they are not applied.

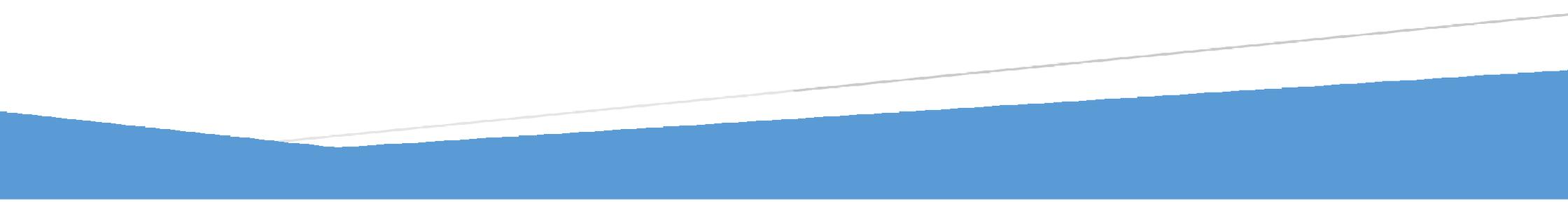
Definitions of Category of recommendations.

High	It is crucial that this recommendation is implemented immediately. This will ensure that service area will significantly reduce its risk of not meeting its objectives.
Medium	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting its objective.
Low	Implementation of this recommendation would enhance control or improve operational efficiency.

Lewisham Borough Council Oracle Programme

Audit Panel Programme Up-date

September 2019



Agenda



- Summary
- High Level Plan
- Key Milestone Dates
- Key activates
- Go Live Risks

Summary



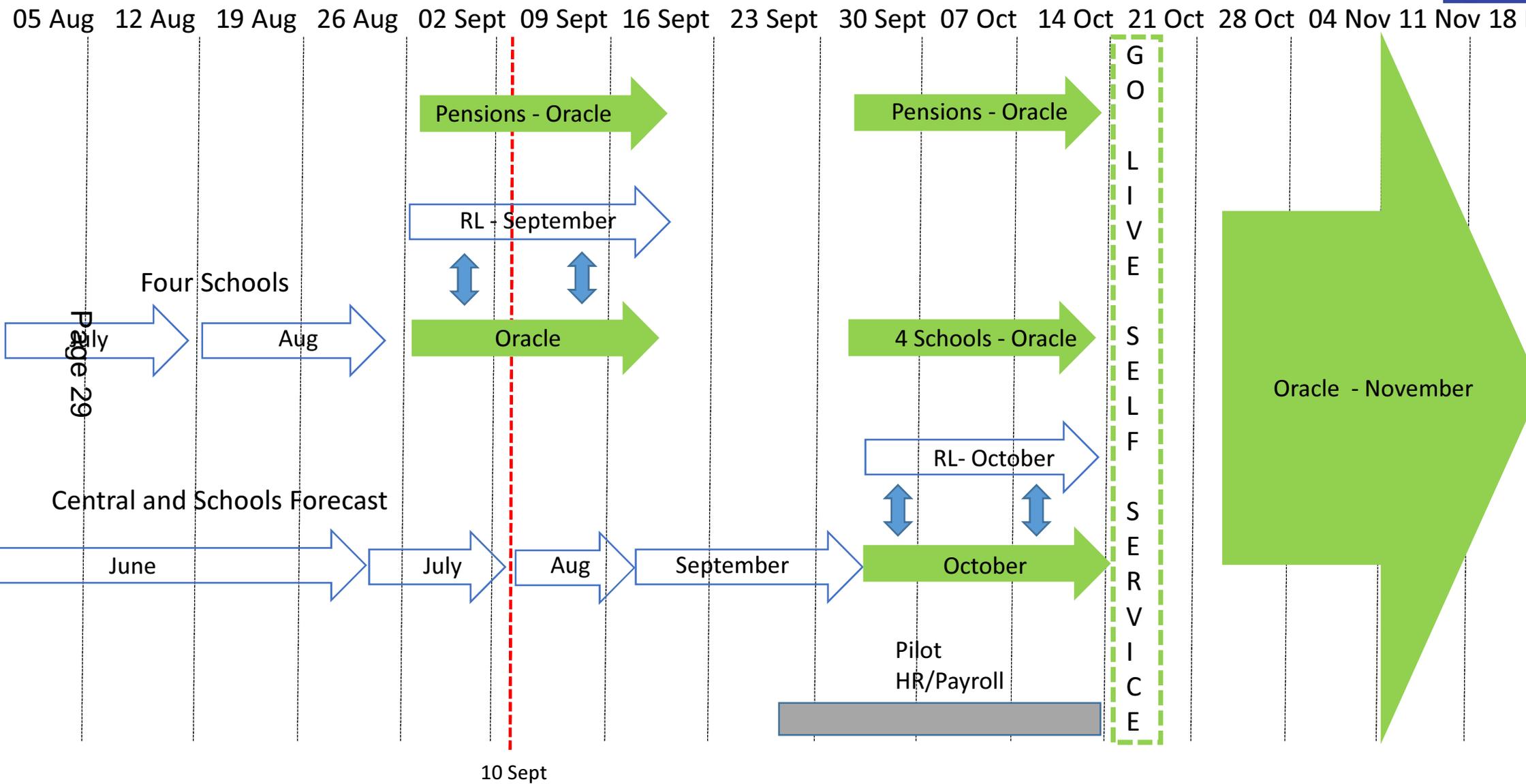
Progress has been slow as to the Programme's ability to align the Payroll Parallel runs, which has taken longer than forecast. The Programme is continually playing catch-up and with the introduction of the Pay Award and Pay increase in June has had a significant effect on the parallel runs, resulting in six weeks to close out June PPR thus pushing the go live date further out to the right

The Programme is Live with Pensions Payroll and has completed the Parallel Runs for 4 Schools (Addey, Trinity, Bonus Pastor and St Georges) and is due to go live in October. The aim is to catch up the PPR's for Central and Schools by the end of September and go into the final PPR in October with a go/no go decision to pay out of Oracle in October and implement Self Service for London Borough of Lewisham staff

Training on Self Service continues as planned with over 500 LBL personnel trained to date. Activities to transition Oracle into Hyper Care Support / BAU Support is underway and progress in these areas have been steady.

The Programme is reporting a Red/Amber status due to the Payroll Parallel runs and will look to governance to change this status when the September PPR milestone's have been met

High Level Cut-over Plan – Forecast vs. Actual



10 Sept

GO
LIVE
SELF
SERVICE

Page 29

Central and Schools Forecast

Pilot
HR/Payroll

Key Milestone Dates



Revised Milestone Plan	Target Date	Status
Pensions - Live in Oracle	August 2019	Complete / Green
Primary Schools - Complete PPR	18 Sept 2019	In progress/ Green
Primary Schools - Live in Oracle	Oct 2019	Amber / Green
Central and Schools – Complete June PPR	13 Sept 2019	Complete / Green
Central and Schools - Complete August PPR	20 Sept 2019	In progress / Amber / Green
Central and Schools – Complete September PPR	30 Sept 2019	Amber / Green
Central and Schools - Complete October PPR	18 Oct 2019	Amber / Green
Self Service GO Live	21 Oct 2019	Amber / Green
GO LIVE Oracle	November 2019	

Activities

Payroll

- Live with Pensions Payroll in Oracle
- Completed 4 Schools PPR in September and Live in October
- Tight timeline to complete Central and Schools PPR for August and September PPR with little contingency

Self Service:

- Continue with Soft Communications to the organisation
- Trained over 500 LBL personnel
- Continue training as scheduled
- Training manuals and training videos are available on the intranet

Transition into Hyper Care:

- Transition Manager in place
- Kicked-off Transition Plan and activities are progressing positively
- Aligning the Programme Team and Business Champions to their roles and responsibilities

Lewisham Schools

- Working Group formed to detail plan to present to Programme Board in September

Lewisham Homes

- Engagement kick-off to implement new Payroll Service by April 2020

Go Live Risks - Absence, Payroll and Self Service



Type	Category	Description	Likelihood	Impact	Priority	Date identified	Countermeasure or response	Residual			Owner / Actioner	Notes	Date of last update	Status
								Likelihood	Impact	Priority				
Risk	O/M	Programme Finances Phase 2 of the Programme which includes Core HR, Payroll and Self Service modules is subject to a separate allocation of funding. If the Programme continues to move to the right this would require additional funding	3	4	R	02/09/19	Planning and Monitoring Regular up-dates / reports as to progress against plan, ensure early visibility if programme is / will move to the right Finance Programme Manager to present business case when seeking an extension Resources Look to other Councils as to assisting the Programme with additional Payroll Officers to ensure the Programme meets it's intended milestones	2	3	A	SRO and Programme Manager		13/09/19	Open

Go Live Risks - Absence, Payroll and Self Service



ID	Type	Category	Description	Likelihood	Impact	Priority	Date identified	Countermeasure or response	Residual			Owner / Actioner	Notes	Date of last update	Status
									Likelihood	Impact	Priority				
12-6	Risk	S/C	<p>Implementation of Self Service for Schools It is the intention of the Programme to implement Self Service for Schools post Go Live of Phase 2.</p> <p>There is a risk that Schools will not sign new contracts through Lewisham as there are other Boroughs that can offer and provide this</p>	3	2	R/A	11/02/2019	<p>Self Service for Schools is becoming an increasing concern given that Schools provide on the only income for the Council as to this product and it would be prudent to engage Schools and align the work stream and kick off this work.</p> <p>Mitigation: Decision to progress Phase 2 activates to mitigate risk and align resources back against the Programme Plan</p> <p>Set-up a Schools working group and provide the plan and scope for the board to review</p>	2	2	G	Programme Board	<p>Engagement with Schools look at options around access and align to Phase 3 of the Programme, Working Group to be set up lead by MH and present plan to board in September</p>	11/09/19	Open

Go Live Risks - Absence, Payroll and Self Service



ID	Type	Category	Description	Likelihood	Impact	Priority	Date identified	Countermeasure or response	Residual			Owner / Actioner	Notes	Date of last update	Status
									Likelihood	Impact	Priority				
PH2-9	Risk	O/M	The Programme has yet to transition Phase 1 into BAU Support	2	3	R/A	01/04/19	On-going operational costs to support this service No commercial or warranty cover in place Increased costs around fix requests	2	2	G	PM	Escalated to Board - need to address as part of Hyper Care Support. This is currently being addressed as part of the commercial alignment with the System Integrator	11/09/19	Open
PH2-15	Risk	O/M	Oracle Cloud Network Infrastructure (Shared Services) Two major incidents in the past month (sftp)	4	2	A	01/07/19	Impacting BACS transfer and notification emails on PaaS service / confirming success /failure of interfaces No resilience or BCP	1	1	G	PM	Engage Shared Services to understand impact and mitigation as to this service.	11/09/19	Open

Go Live Risks - Absence, Payroll and Self Service



Type	Category	Description	Likelihood	Impact	Priority	Date identified	Countermeasure or response	Residual			Owner / Actioner	Notes	Date of last update	Status
								Likelihood	Impact	Priority				
19	Risk	O/M	2	2	R	28/09/19	Fail to deliver new payroll system by the given due date Unable to meet commercial obligations	1	1	G	BH	Need to align Commercial agreements	11/09/19	Open
20	Risk	o/m	2	2	R	28/09/2019	Agree resources up-front with terms of reference Close monitoring of LBL Programme Have contingency plans in place (procure resources elsewhere) with the exception of LBL payroll	1	1	G	BH	Need to align Commercial agreements	11/09/19	Open

Go Live Risks - Absence, Payroll and Self Service



Risk ID	Type	Category	Description	Likelihood	Impact	Priority	Date identified	Countermeasure or response	Residual			Owner / Actioner	Notes	Date of last update	Status
									Likelihood	Impact	Priority				
21	Risk	O/M	BAU resources to test and sign off Reports as their day job is taking priority Time it is taking to test and sign off Reports is far exceeding expectations	2	2	R	28/09/19	Have asked for additional Resources from Evosys to assist with Report writing activities - awaiting further information from Evosys	1	1	G	BH	Awaiting resource from SI		

AUDIT PANEL			
Title	Work Programme & Action Tracker		
Contributor	Committee Officer	Item	8
Class	Part 1	19 September 2019	

1. Purpose

- 1.1 To advise members of the Panel's work programme for the 2019/20 municipal year and to agree the agenda items for the next meeting.

2. Recommendations

- 3.1 The Committee is asked to:

- consider the work programme/ action tracker attached at **Appendix 1** – and discuss any issues arising from the programme
- consider the items scheduled for the next meeting – and specify the information the Panel requires to achieve its desired outcomes
- consider any forthcoming key decisions– and review any items for further scrutiny

APPENDIX 1

Meeting	Work Items
September	Election of Vice Chair External Audit opinion and reports – Council and Pension Fund Report on plan to address recommendations from the External Audit reports Internal Audit quarterly report Oracle Cloud update
December	Whole of Government Accounts audit report External audit plan for the financial statements audit Internal Audit quarterly report Oracle Cloud update
March	External Audit interim audit report Internal Audit quarterly report (to include the internal audit plan for the following year) Oracle Cloud update

APPENDIX 2

Nature of Referral/Action	Date of Referral/Action	Body/Officer	Date of Response to Panel
Update the Panel on the progression of the system after the system has gone live, at the next Panel meeting.	11 July 2019	Director of Financial Services and Programme Manager	19 September 2019
The completed Audit Statement of Accounts will be discussed at the September meeting	11 July 2019	Interim Chief Finance Officer	19 September 2019
The Annual Counter Fraud update be put on the agenda as a standard item rather than an appendix	11 July 2019	Clerk	July 2020 (ongoing)
The Panel noted that the Authority will not meet the 31 July 2019 reporting deadline and that the concerns were raised in respect of the quality of financial reporting. One reason for this is under-resourcing in the Finance Department. The Panel recommend that the Public Accounts Committee give consideration to the level of resourcing in the	11 July 2019	Public Accounts Committee	24 September 2019

APPENDIX 2

team with a view to increase the resource available.			
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